

AMENDED IN SENATE AUGUST 24, 2015

AMENDED IN SENATE JULY 2, 2015

AMENDED IN ASSEMBLY APRIL 8, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 728

Introduced by Assembly Member Hadley

February 25, 2015

An act to amend Section 13405 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL’S DIGEST

AB 728, as amended, Hadley. State government: financial reporting.

Existing law, the State Leadership Accountability Act, provides that state agency heads are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies, as specified. Existing law requires state agency heads to, biennially, conduct an internal review and prepare a report on the adequacy of the agency’s systems of internal accounting, administrative control, and monitoring practices. Copies of the reports are required to be submitted to the Legislature, the California State Auditor, the Controller, the Department of Finance, the Secretary of Government Operations, and to the State Library where the copy is required to be available for public inspection.

This bill would also require the report to be posted on the agency’s Internet Web site within 5 *business* days of finalization after acceptance by the department.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 13405 of the Government Code, as amended by Section 18 of Chapter 25 of the Statutes of 2015, is amended to read:

13405. (a) To ensure that the requirements of this chapter are fully complied with, each agency head that the Department of Finance determines is covered by this section shall, on a biennial basis but no later than December 31 of each odd-numbered year, conduct an internal review and prepare a report on the adequacy of the state agency's systems of internal control, and monitoring practices in accordance with the guide prepared by the Department of Finance pursuant to subdivision (d).

(b) The report, including the state agency's response to review recommendations, shall be signed by the agency head and addressed to the agency secretary, or the Director of Finance for a state agency without a secretary. An agency head shall submit a copy of the report and related response, pursuant to a method determined by the Department of Finance, to the Legislature, the California State Auditor, the Controller, the Department of Finance, the Secretary of Government Operations, and to the State Library where the copy shall be available for public inspection. A copy of the report shall be posted on the agency's Internet Web site within five *business days* ~~of finalization~~ *after acceptance by the Department of Finance*.

(c) The report shall identify any material inadequacy or material weakness in a state agency's systems of internal control that prevents the agency head from stating that the state agency's systems comply with this chapter. Concurrently with the submission of the report pursuant to subdivision (b), the state agency shall provide to the Department of Finance a plan and schedule for correcting the identified inadequacies and weaknesses, that shall be updated every six months until all corrections are implemented.

(d) The Department of Finance in consultation with the California State Auditor and the Controller, shall establish, and may modify from time to time as necessary, a system of reporting and a general framework to guide state agencies in conducting internal reviews of their systems of internal control.

1 (e) The Department of Finance in consultation with the
2 California State Auditor and the Controller, shall establish, and
3 may modify from time to time as necessary, a general framework
4 of recommended practices to guide state agencies in conducting
5 active, ongoing monitoring of processes for internal control.

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